Earnings Release 3Q14

FOR IMMEDIATE RELEASE – **São Paulo, November 13, 2014** – Saraiva S.A. Livreiros Editores (Bovespa: SLED3 and SLED4), one of Brazil's major publishers and one of the largest retailers of content, focused on education and culture, today reported its financial results for the third quarter ended September 30, 2014.

HIGHLIGHTS SARAIVA GROUP– 3Q14 / 9M14

- Sales volume growth remained solid. Consolidated gross revenue increased 6% year-on-year to R$482 million and totaled R$1.6 billion for 9M14. This amount represents 64% of the midpoint of the Company's revised guidance for 2014 (+9% vs 9M13).
- Consolidated gross profit reached R$173 million in 3Q14, 5% higher than the previous year.
- Adjusted consolidated EBITDA declined y-o-y, totaling negative R$15 million in 3Q14. For the nine-month period, adjusted consolidated EBITDA amounted to R$73 million (-7% vs 9M13).
- Adjusted net loss was R$29 million in 3Q14 as compared to a net loss of R$22 million in 3Q13.
- The ratio of adjusted net debt to EBITDA (excluding non-recurring) was 4.0x as of September 30.
- At the end of the quarter, the National Bank for Economic and Social Development (BNDES) released R$200 million of the R$629 million assigned to the Company in the August 2014 contract.
- Downward revision to management sales and EBITDA guidance by 4% and 40%, respectively.
- Creation of the 7th Stock Options Program on July 16th aimed at further aligning the interests of directors, investors and shareholders.
- Through September 30, 2014, the Company repurchased 1,171,300 preferred shares (SLED4) and 400 common shares (SLED3) within the program, jointly representating 4.2% of the Company's total capital stock.
- Saraiva concluded the distribution centers' relocation (retail and educational system) to the new logistics center, which includes an automation project and was completed on time and on budget.

HIGHLIGHTS PUBLISHING BUSINESS

- Signing of a R$154.0 million contract with the Federal Government under the National Textbooks Program for the 2015 academic year. The Publishing business's market share of the adoption of high school textbooks was 15%.
- Hiring of a strategic consulting company for the Education market.
- Launch of VIVAZ - the Game of Knowledge, a platform for educational games and adaptive learning for students in the first cycle of elementary education.
- Net revenue reached R$69 million in 3Q14, an increase of 14% vs 3Q13, and R$277 million in 9M14 (+11% vs 9M13). The Publishing business's sales reflect the strong performance in the private market, particularly in educational systems, textbooks, law books and technical content.
- Adjusted EBITDA was negative R$8 million vs. negative R$13 million in 3Q13.
- In the 9M14, adjusted EBITDA totaled R$22 million vs negative R$5 million in 9M13. This improved performance follows the Publishing business's restructuring, which began in 2013, which included the elimination of redundant areas, as well as a review of costs and processes.

HIGHLIGHTS RETAIL BUSINESS

- Launch of the new e-commerce and m-commerce platforms.
- Launch of LEV, Saraiva's portable digital e-reader.
- Opening of a Megastore in Shopping Vila Velha, Espírito Santo state.
- The Saraiva Plus fidelity program reached 10 million members.
- Retail's net revenue for the 3Q14 increased 6% y-o-y to R$403 million and R$ 1.3 billion for 9M14 (+9% vs 9M13).
- SSS (same store sales – physical stores) grew 2.9% in 3Q14 and 8.4% in 9M14.
- SSS up by 8% in 3Q14 and 13% in 9M14 y-o-y. Growth exceeds most recent data from PMC/IBGE which shows retail expansion of 3.6% in the last twelve months.
- In 3Q14, the e-commerce division, excluding consumer electronics, increased by 8.4% vs 3Q13.
- Adjusted EBITDA totaled negative R$7 million as compared to R$16 million in 3Q13.

Table 1. Main Indicators – Saraiva Group (R$000, unless otherwise specified)

Consolidated	9M14	9M13	Y/Y	3Q14	3Q13	Y/Y	2Q14	Q/Q
Gross Revenues	1,615,412	1,482,222	9%	482,346	453,216	6%	430,933	12%
Net Revenues	1,535,850	1,407,503	9%	458,517	425,210	8%	406,946	13%
Gross Profit	636,196	594,788	7%	173,043	164,699	5%	145,174	19%
Gross Margin (%)	41.4%	42.3%	-0.8p.p.	0	0	-1.0p.p.	35.7%	2.1p.p
Expenses	584,576	529,046	10%	187,005	173,781	8%	189,345	-1%
EBITDA	51,620	65,742	-21%	(13,962)	(9,082)	54%	(44,171)	-68%
EBITDA Margin (%)	3.4%	4.7%	-1.3p.p.	-3.0%	-2.1%	-0.9p.p.	-10.9%	7.8p.p
Adjusted EBITDA[1]	72,803	78,002	-7%	(14,502)	1,439	-	(31,628)	-54%
Adjusted EBITDA Margin[1]	4.7%	5.5%	-0.8p.p.	-3.2%	0.3%	-3.5p.p.	-7.8%	4.6p.p
Adjusted Net Income	4,022	13,300	-70%	(29,682)	(11,776)	152%	(31,811)	-7%
Adjusted Net Margin (%)	0.3%	0.9%	-0.7p.p.	-6.5%	-2.8%	-3.7p.p.	-7.8%	1.3p.p
Net Income (Loss)	(17,161)	1,040	-	(29,142)	(22,297)	31%	(44,354)	-34%
Net Margin (%)	-1.1%	0.1%	-1.2p.p.	-6.4%	-5.2%	-1.1p.p.	-10.9%	4.5p.p

Note 1: Adjusted EBITDA excluding the effect of provision for bonus and non-recurring expenses.

The consolidated financial information contained herein has been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and with the accounting practices adopted in Brazil (BRGAAP). The individual financial information contained herein has been prepared in accordance with BRGAAP. Any non-accounting information or derived from non-accounting numbers was not examined by the independent auditors.

CORPORATE HIGHLIGHTS

- On November 7, 2014, Saraiva announced the appointment of Jorge Saraiva Neto as CEO. During Jorge's career at the Company, he has set the strategic and operational transformation process and realized important launches and business partnerships. Upon becoming President in April 2013, the Board of Directors and Jorge jointly initiated a new strategic plan for the Company. Since this time, he has overseen Saraiva's transformation and the hiring of key executives, in order to position the Company for future growth in publishing and e-commerce. Key strategic initiatives undertaken in the past 18 months under his supervision include the procurement of Parthenon's consulting services in the field of Education, the signing of contracts with notable higher education institutions such as Kroton and Devry, and also the launch of the successful e-reader Lev. Saraiva's business strategy remains unchanged following the termination of Mr. Michel Jacques Levy and the key executives who designed the strategy continue to lead the Company.
- Implementation of a Matrix Budget - as part of the review of internal processes - focused on increasing productivity and streamlining Saraiva Group´s expenses. The budget was devised in conjunction with management consulting company, Gradus Consultoria.
- Development of a tool that unifies the Company's customer bases, allowing for customization of communication and relationships.

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MAIN INDICATORS

The Company's sales are highly seasonal, with concentrations occuring in the following two quarters: (1) the first quarter of the fiscal year, due to increased demand for textbooks and supplementary materials by the private market during the back-to-school period, and (2) the fourth quarter, due to the government's purchases of textbooks in the Publishing Business, and Christmas sales in the Retail Business. Below we present our key operating and financial indicators per business segment.

Table 2. Main Indicators – Retail Business (R$000, unless otherwise specified)

Retail	9M14	9M13	Y/Y	3Q14	3Q13	Y/Y	2Q14	Q/Q
Gross Revenues	1,385,40	1,275,05	9%	426,723	408,723	4%	411,711	4%
Net Revenues	1,306,20	1,200,65	9%	402,985	380,732	6%	387,767	4%
Store Sales	892,977	788,156	13%	268,555	248,608	8%	266,657	1%
E-commerce Sales	413,225	412,496	0%	134,430	132,124	2%	121,110	11%
Gross Profits	424,207	403,915	5%	124,373	123,455	1%	123,612	1%
Gross Margin (%)	32.5%	33.6%	-1.2 p.p.	30.9%	32.4%	-1.6 p.p.	31.9%	-1.0 p.p.
Operating Expenses	396,260	333,005	19%	131,698	107,406	23%	129,625	2%
EBITDA	27,947	70,910	-61%	(7,325)	16,049	-	(6,013)	22%
EBITDA Margin (%)	2.1%	5.9%	-3.8 p.p.	-1.8%	4.2%	-6.0 p.p.	-1.6%	-0.3 p.p.
Adjusted EBITDA[1]	39,557	70,910	-44%	(6,863)	16,049	-	(638)	>500%
Adjusted EBITDA Margin (%)[1]	3.0%	5.9%	-2.9 p.p.	-1.7%	4.2%	-5.9 p.p.	-0.2%	-1.5 p.p.
Adjusted Net Income	(11,751)	13,718	-	(20,006)	(1,777)	>500%	(11,155)	79%
Adjusted Net Margin (%)	-0.9%	1.1%	-2.0 p.p.	-5.0%	-0.5%	-4.5 p.p.	-2.9%	-2.1 p.p.
Net Income (Loss)	(23,361)	13,718	-	(20,468)	(1,777)	>500%	(16,530)	24%
Net Margin (%)	-1.8%	1.1%	-2.9 p.p.	-5.1%	-0.5%	-4.6 p.p.	-4.3%	-0.8 p.p.
Same store sales growth	8.4%	5.4%	3.0 p.p.	2.9%	5.4%	-2.5 p.p.	12.2%	-9.3 p.p.
E-commerce sales growth	-0.4%	14.4%	-14.8	-0.2%	13.9%	-14.0	1.0%	-1.2 p.p.
E-commerce growth ex-electr.	7.0%	15.8%	-8.8p.p.	8.5%	16.0%	-7.5p.p.	11.0%	-2.3p.p.
Number of Stores - End of Period	115	111	4%	115	111	4%	114	1%
Sales Area - End of Period (m²)	62,956	60,665	4%	62,956	60,665	4%	62,191	1%

Note 1: Adjusted EBITDA excluding the effect of provision for bonus and non-recurring expenses.

Table 3. Main Indicators – Publishing, including Editora Érica data (R$000, unless otherwise specified)

Publishing	9M14	9M13	Y/Y	3Q14	3Q13	Y/Y	2Q14	Q/Q
Gross Revenues	277,307	249,899	11.0%	69,293	60,967	13.7%	28,176	146%
Net Revenues	276,950	249,585	11.0%	69,202	60,952	13.5%	28,133	146%
Private	268,335	240,594	12%	65,810	59,422	11%	27,503	139%
Government	8,615	8,991	-4%	3,392	1,530	122%	630	438%
Gross Profit	210,961	191,631	10.1%	48,613	42,935	13.2%	20,821	133%
Gross Margin (%)	76.2%	76.8%	-0.6p.p.	70.2%	70.4%	-0.2p.p.	74.0%	-3.8p.p.
Operating Expenses	188,572	196,406	-4.0%	55,563	66,442	-16.4%	59,720	-7%
EBITDA	22,389	(4,775)	-	(6,950	(23,507)	-70.4%	(38,899)	-82%
EBITDA Margin (%)	8.1%	-1.9%	10.0p.p.	-	-38.6%	28.5p.p.	-	-10.0p.p.
Adjusted EBITDA[1]	31,962	7,485	327%	(7,952	(12,986)	-39%	(31,731)	-75%
Adjusted EBITDA Margin (%)[1]	11.5%	3.0%	8.5p.p.	-	-21.3%	9.8p.p.	-	0.0p.p.
Adjusted Net Income	15,035	(2)	-	(9,746	(8,387)	16%	(21,270)	-54%
Adjusted Net Margin (%)	5.4%	0.0%	5.4p.p.	-	-13.8%	-0.3p.p.	-75.6%	61.5p.p.
Net Income (Loss)	5,462	(12,262)	-	(8,744	(18,908)	-54%	(28,438)	-69%
Net Margin (%)	2.0%	-4.9%	6.9p.p.	-	-31.0%	18.4p.p.	-	-12.6p.p.

Note 1: Adjusted EBITDA excluding the effect of provision for bonus and non-recurring expenses. 2. Income before equity income.

Table 4. Main Indicators Consolidated Balance Sheet (R$000, unless otherwise specified)

Consolidated	3Q14	3Q13	Y/Y	2Q14	Q/Q
Cash and cash equivalents	156,930	13,340	>500%	12,142	>500%
Total Debt	723,402	424,466	70.4%	418,687	73%
Net Debt	566,472	411,126	37.8%	406,545	39%
Adjusted Net Debt[1]	569,013	477,419	19.2%	526,122	8%
Total Assets	1,580,578	1,313,319	20%	1,258,728	24%
Shareholders' Equity	458,623	509,516	-10.0%	488,956	-6%
Net Debt/Equity	124%	81%	-1.3 p.p.	83%	7.8 p.p.
Adjusted Net Debt[1] /EBITDA	7.0x	3.3x	111%	6.1xx	15%
Net Debt/ Adjusted EBITDA[2]	3.9x	2.6x	49%	2.5x	58%
Adjusted Net Debt[1] /Adjusted EBITDA[2]	4.0x	3.1x	29%	3.2x	24%

Note: (1) includes receivables prepayments and acquisition obligations; (2) Adjusted EBITDA excluding the effect of provision for bonuses and expenses with non-recurring restructuring

OUTLOOK

Saraiva Group's strategy is focused on strengthening the Company's business model and competitive position regarding the creation and distribution of content, technology and services on any device and format, accessible anytime and anywhere. As part of the business expansion plan, the Company undertook a number of important changes that were crucial for establishing a new cycle of value creation aimed at higher productivity gains and increased market share.

The Publishing business unit's review of its educational solutions portfolio has been advancing. From a strategic point of view, Saraiva is repositioning itself to move up the education value chain. The Company aims to provide structured and higher value-added solutions, including not only content created by talented authors, but also technology and services that effectively contribute to teaching and learning processes for both Basic and Higher Education.

As part of Saraiva's commitment to education, Editora Saraiva announced the expansion of its portfolio of solutions. In keeping with our innovation strategy, the Company partnered with several higher education groups during the year, by providing: (1) a customized platform for Distance Learning (EaD), (2) SET (Saraiva Technical Education System – which already serves 53,000 students in the third quarter of 2014, compared to 25,000 in early 2014, (3) the adaptive learning platform – currently available for Kroton's and Devry's law students – whereby students prepare for the OAB Brazil Bar Association exam, and (4) access to the digital library – which already serves more than 77 educational institutions and more than 400 thousand students. The SSA (Saraiva learning solution) already has 15 educational institutions as clients and serves about 7,000 students.

Saraiva continues to invest in complete solutions for Basic Education that provide competitive advantages in terms of customer value. Highlights include the launch of a new EdTec solution targeted at grade 1 – 5 students, a game platform called Vivaz - the game of knowledge. To increase the relevance of elementary school level I (*fundamental I*) in the private schools, Saraiva saw an opportunity to adapt the content of its textbooks to a game format that can be distributed together with printed books. With the new solution, the content is personalized according to the level of knowledge and skill of the student. Also, Vivaz identifies the knowledge level of the student and reports on his/her progress and weaknesses – improving the relationship between teachers and students. The textbooks for elementary school level II (*fundamental II*) and high school should also be adapted to the game format later this year.

At the end of the 3Q14, Saraiva announced a R$154.0 million contract with the Federal Government under the National Textbooks Program for the 2015 academic year (PNLD/2015). Saraiva's market share was 15.0% in the PNLD 2015 versus 24.6% in the reference program (PNLD/2012)**.** This result reflects the rejection of English language content which passed the PNLD/2012, but was not part of our offering in the PNLD/2015, combined with increased competition following the approval of additional content from other publishers entering the program. To recover market share in the next program, the Company has a structured plan in place which includes changes to editorial guidelines, the hiring of new authors and the launch of new products.

Saraiva gained share in the private market despite challenging conditions. The Publishing business's sales growth reflected a 21% increase in sales of learning systems, technical, textbooks and law books, which represented 87% of sales in 3Q14 versus 81% in 3Q13. In addition, initiatives[1] undertaken in 2013 to control the Publishing business's expenses are already beginning to benefit results, with improvements in productivity and the monetization of new business models.

For this new phase, the directors of the publishing business unit are working to prepare a long-term strategic plan, coordinated by the publishing division's Vice President and backed by consultancy Parthenon Group. As a result of this process, we anticipate: (1) higher relevance of sales of educational services; (2) a greater focus on its product distribution channels, and (3) a closer relationship with customers, both in the planning of products and solutions, as well as marketing and sales support – ensuring assertiveness and recurrence.

Note 1: The major initiatives include: (1) the use of segmentation in planning the customer service strategy, allowing action focused on various channels, in adequate levels of services; (2) reorganization of the marketing department, with specialists for each publishing business line; (3) creating an area of educational management, consolidating the activities of pedagogical advice and market intelligence; (4) unification of Saraiva and Atual; (5) product portfolio review; (6) elimination of redundancies; and (7) performance of the commercial department, both with textbooks business as well as with educational systems under a single unit.

In the Retail business unit, Saraiva has been successfully pursuing an integrated and multi-channel strategy, which is reflected in ongoing brand preference. SSS increased 8% in 3Q14 and 13% in 9M14 y-o-y, and exceeded the most recent data from PMC/IBGE, which shows retail growth of 3.6% in the last twelve months. Saraiva's online transactions, which grew 8.4% in the period, excluding consumer electronic sales, are fully integrated with the physical store chain, which is one of our competitive advantages. For example, we provide our customers with the option to pick up and return online orders in our stores. Currently, more than 60 million people frequent the Company's network of 115 stores throughout the country every year. Among this customer base, brand loyalty remains high, with 10 million customers enrolled in the Company's loyalty program, Saraiva Plus. In terms of e-commerce, Saraiva is among the 10 most popular online companies in the country and is the only content expert in a prominent position, according to a survey by Comcast in May 2014.

As a result of this multichannel approach, the Company has managed to consistently grow in both channels. Revenue for the online channel has represented one third of the Retail unit's turnover in the last 5 years. During the first nine months of the year, in store sales were up 13% year-over-year, with a 4% increase in the sales area. In addition to the successful launch of the e-reader LEV, which achieved significant sales volumes, especially in stores, another important 3Q14 highlight was the launch of the new e-commerce platform.

The Company seeks to provide a unique and consistent shopping experience across its physical and online channels. This strategy allows Saraiva to capitalize on potential synergies between channels, yielding competitive advantages over pure play internet firms. Both channels (1) share customers (23% of our customer base is represented by multi-channel consumers); (2) share the same technology, systems and infrastructure of the Company (from any point of customer contact, you can see stock levels across the whole operation); and (3) share marketing strategies - within a logic of shared services and solutions.

Management initiatives to achieve synergies between channels include: (1) alignment of goals between the channels so that all employees involved understand that the Company benefits from sales originating from any point of contact with consumers; (2) implementation of management mechanisms to ensure effective control and coordination of marketing and sales campaigns; (3) building the necessary skills to achieve the benefits of synergies. Among the benefits of an integrated approach we highlight: (1) cost reductions (headcount, inventory, marketing and logistics); (2) differentiation in the provision of goods and services (opportunity to try products in store and immediate access to releases and promotions); (3) greater trust and security when buying, and (4) access to a larger potential market (new geographic markets, new product categories and new types of consumers).

In the Retail business unit we have two main areas of focus: increased profitability and improved customer satisfaction. The necessary corrective actions, which include structural measures aimed at delivering strong results for our shareholders, together with customer satisfaction, are more recent. Key initiatives include the review and redesign of logistics operational processes and customer service improvements. For the next step, maintaining the pace of sales growth, improvements in internal processes directed at efficient inventory management and controlling expenses will be the main priorities of the Company. At the end of this process, the Company will maintain its focus on long-term strategic planning for the Retail business.

Efforts and improvements already seen on a commercial front have not yet resulted in a desired improvement in financial results for the Retail business. Accordingly, initiatives to maximize results include:

- **Increased expense discipline and comprehensive review of processes.** As a part of the internal review of processes is an ongoing project to implement the Matrix Budget (*Orçamento Matricial*), which focuses on increasing productivity and streamlining Saraiva Group's expense structure, with support from Gradus Consultoria. The project's scope includes the analysis of all expense lines and also a redesign of the Group's processes. The result of the project is a challenging budget for 2015, including the adoption of best practices and process improvements. It is expected that the first results will appear in mid-2015.

- **Identify and promote synergies.** The unification of corporate, administrative and logistics activities, which are currently handled in separate locations, to a small number of spaces, is expected to reduce costs, improve communications between different areas and streamline the decision-making process. This process has already been carried out with: (1) moving Editora Érica and the Learning Systems unit to the same physical location as the Publishing business, (2) centralizing logistics, especially the branches of Belo Horizonte, Rio de Janeiro, Campo Grande and Ribeirão Preto, in the distribution center in Guarulhos, (3) transferring the distribution center of the learning systems unit into the new logistics center in Cajamar.
- **Focus on innovation and partnerships.** The Company is revisiting its products and services portfolio and investing in integrated solutions with higher added value, low capex/revenue and greater profitability. Furthermore, Saraiva is developing recurring revenues for its businesses, with consistent and highly predictable revenue streams over time. Revenue growth will be achieved by: (1) exploring adjacent business opportunities through the offering of multimedia content, content in multiple formats and platforms; (2) selective expansion into untapped markets, new store formats with a larger sales volume per m^2; (3) the introduction of new product categories via MarketPlace in order to expand sales in the e-commerce channel, and (4) revision of the sales mix of smaller stores in order to increase sales/m^2.

The Company's strategy is based on the following initiatives:

(1) Saraiva Group:

(1.1) **Focus on the consumer** - Saraiva is well positioned to meet the ever-changing needs of its clients, which are in constant change. The Company strives to provide best-in-class customer experience in all its channels and with its products, technology and services that are available on any device and format, and accessible anytime and anywhere.

(1.2) **Saraiva remains focused on fully integrating its operations, achieving synergies and reviewing internal processes.** The Company plans to consolidate its activities, which are currently handled in separate locations, to fewer locations. This process is expected to reduce costs, improve communication throughout the organization and streamline the decision-making process. The Company also intends to upsell and cross-sell products and services to its customers.

(2) Publishing / Education:

(2.1) **Strategic acquisitions of complementary businesses and EdTec solutions.** Saraiva supports new ways of teaching and learning that address key educational challenges. The Company continues to seek new and innovative ways to create and distribute content, technology and services.

(2.2) **Expansion through partnerships with educational groups in the education value chain.** Becoming an educational service provider will allow Saraiva to access a larger addressable market, with potentially higher margins.

(3) Retail:

(3.1) **Expansion of the Company's e-commerce sales through Saraiva.com, with a distinct business model.** The retail e-commerce market in Brazil is growing faster than the traditional retail market. The Company therefore intends to consolidate its positioning in its current product categories and further diversify the product mix within the marketplace. The Company believes that a multichannel strategy will maximize efficiency in all points of contact with customers.

(3.2) **Selective expansion of bricks-and-mortar stores.** To meet the needs of Brazilian consumers, Saraiva's strategy includes expansion into Brazilian regions with known potential for growth and where there are fewer stores of the Group. The Company plans to open new stores in untapped markets and under new formats, such as airports.

We reinforce our commitment to adding real value to the business and emphasize that while the changes we have implemented will have a short-term impact on margins, they will improve our ability to seize opportunities that will strengthen Saraiva's competitive positioning over the long-term.

REVISED GUIDANCE FOR THE 2014 FINANCIAL YEAR

Demand for Saraiva's products and services remains strong, with the Company achieving physical store chain sales growth of 13% year-over-year during the first nine months of the year. Consolidated gross sales totaled R$1.6 billion in the 9M14, up 9% versus the same period a year-ago. The increase was primarily the result of the performance of store sales, which was in line with expectations despite a deterioration in consumption in Brazil. Store sales were driven by demand for key product categories. In terms of the publishing division, the sale of educational content targeted at the private market also performed well, especially educational systems, textbooks, technical and law books.

The strong performance of these channels was partially offset by lower than expected e-commerce sales. Despite e-commerce sales growth in the quarter (+8.4% vs 3Q13, excluding consumer electronics), sales from this channel are not expected to bring full year consolidated results in line with original expectations. In addition, the Company notes lower than expected sales under the PNLD/2015. As such, the Company now expects full year gross sales to be between R$2.3 – 2.5 billion, compared with previous guidance of R$2.4 – 2.6 billion.

Table 5. Estimated Consolidated Gross Sales for 2014

	2014		Change	9M14	% Guidance
	Previous (A)	**New (B)**	**(B) / (A) -1**	**Actual (C)**	**(C) / (B)**
Gross Sales	R$ 2.4 – 2.6 billion	R$ 2.3 – 2.5 billion	4%	R$1.6 billion	67%

The Company's adjusted EBITDA in the first nine months of 2014 reached R$73 million, a 7% year-over-year decline mainly due to: (1) a reduction in gross margin; (2) increase in operational expenses. The corresponding adjusted EBITDA margin was 4.7%, versus 5.5% in the prior-year period. As such, the Company has lowered its EBITDA forecast for 2014. Revised EBITDA is now between R$110-130 million in 2014, compared with a prior range of R$190-210 million.

Table 6. Estimated EBITDA for 2014

	2014		Change	9M14	% Guidance
	Previous (A)	**New (B)**	**(B) / (A) -1**	**Actual (C)**	**(C) / (B)**
EBITDA	R$190 – 210 million	R$110 – 130 million	40%	R$72.7 million	61%

The ratio of adjusted net debt (equaling total loans, financing and receivables prepayments deducted from cash balances) to adjusted EBITDA (excluding non-recurring and provision for bonus) was 4.0x at September 30, 2014 versus 3.2x at June 30, 2014. The Company reports adjusted net debt in this manner to measure its cash requirements.

Table 7. Adjusted Net Debt to EBITDA Ratio Projected for 2014

	2014	3Q14	2Q14
Adjusted net debt /Adjusted EBITDA	< 2.8x	4.0x	3.2x

Saraiva opted to withdraw the Adjusted Net Debt to EBITDA Ratio. To replace this metric, the Company will establish a new indebtedness indicator represented by the absolute value of net debt expected to the end of 2014 – consisting of the sum of short and long-term paid financial obligations (loans and financing) minus the balance of cash and cash equivalents (immediate liquidity financial investments). With year-end sales and partial collection of sales under the scope of PNLD/2015, the Company expects to end the year with net debt between R$500 million and R$550 million.

Table 8. Adjusted Net Debt values projected for 2014

	2014	3Q14	2Q14
Adjusted net debt	R$500 – 600 million	R$567 million	R$526 million

SARAIVA CONSOLIDATED RESULTS

The comments presented below on the Saraiva Group's operating performance refer to consolidated figures, which include the operating results of the Publishing and Retail businesses.

NET REVENUES - Consolidated net revenue grew 9% in 9M14 to R$1.6 billion. In 3Q14, consolidated net revenue grew 8% to R$459 million versus R$425 million in 3Q13. This result reflects the strength of Saraiva's brand, the success of the Retail Business's multichannel strategy and the commercial strength of the Publishing Business.

Table 9. Net Revenue by Business Segment (R$000, unless otherwise specified)

	9M14	9M13	Y/Y	3Q14	3Q13	Y/Y	2Q14	Q/Q
Publishing[1]	276,950	249,585	11%	69,202	60,952	14%	28,133	146%
Retail	1,306,202	1,200,652	9%	402,985	380,732	6%	387,767	4%
Eliminations[2]	(47,302)	(42,734)	11%	(13,670)	(16,474)	-17%	(8,954)	53%
Total[3]	**1,535,850**	**1,407,503**	**9%**	**458,517**	**425,210**	**8%**	**406,946**	**13%**

Note 1: Includes Editora Érica results. 2. The Publishing business sells books it publishes to the Retail business. Therefore, for consolidation purposes, adjustments have to be made to the consolidated sales figure to take into account transactions between Saraiva Group's two business units. 3. Consolidated Net Revenue.

GROSS PROFIT - Consolidated gross profit reached R$636 million versus R$595 million in 9M13. In 3Q14, consolidated gross profit totaled R$173 million, 5% higher than the previous year's result. The gross margin was down by 1.0 percentage point, from 38.7% in 3Q13 to 37.7% in 3Q14.

OPERATING EXPENSES - Operating expenses totaled R$187 million in 3Q14, an increase of 8% in the last twelve months. The result compares with an expansion in sales of 8%. This increase is due to expenses related to the expansion of the store chain and the reinforcing of corporate structures to support operations, and was partially offset by the reduction in expenses in the Publishing business. As a result, operating expenses as a percentage of net revenues were stable on a year-over-year basis.

Table 10. Operating Expenses by Business Segment (R$000, unless otherwise specified)

	9M14	9M13	Y/Y	3Q14	3Q13	Y/Y	2Q14	Q/Q
Publishing	188,572	196,406	-4.0%	55,563	66,442	-16.4%	59,720	-7%
Retail	396,260	333,005	19%	131,698	107,406	23%	129,625	2%
Total	**584,576**	**529,046**	**10%**	**187,005**	**173,781**	**8%**	**189,345**	**-1%**

General and administrative expenses reached R$52 million in 3Q14, versus R$48 million in 3Q13, an increase of 7%. General and administrative expenses as a percentage of net revenues remained stable at 11.2% in 3Q14, versus the same period last year. In the Publishing business unit, there was a 14% decline in costs in 3Q14 versus 3Q13. This achievement is a result of the restructuring process started in 2Q13. In the Retail business, initiatives are more recent and, therefore, results remained under pressure in the period. As of mid-2015, the Company expects to begin to realize the benefits of the restructuring process, in keeping with the timeline experienced in the Publishing business.

Table 11. G&A Expenses by Business Segment (R$000)

	9M14	9M13	Y/Y	3Q14	3Q13	Y/Y	2Q14	Q/Q
Publishing	63,527	63,282	0.4%	21,568	24,922	-	21,092	2.3%
Retail	97,885	69,012	42%	32,640	23,077	41%	31,911	2.3%
Other expenses	1,856	4,386	-58%	(1,042)	1,643	-	1,628	-
Total G&A	**163,268**	**136,680**	**19.5%**	**53,166**	**49,642**	**7.1%**	**54,631**	**-**

General and administrative expenses reached R$163 million in 9M14 vs R$137 million in 9M13, an increase of 19.5%. G&A as a percentage of net revenue was at 10.3% in 9M14 vs 9.6% in 9M13, mainly due to the impacts of the aforementioned expenses in the Retail business.

EBITDA – EBITDA was negative R$14 million in 3Q14 versus negative R$9 million a year ago, a 54% difference, due to the reduction in gross margin and also to the aforementioned impact of operational expenses. Adjusted EBITDA was negative R$14 million, versus a positive result of R$1 million in the 3Q13, also due to the reduction in gross margin.

Table 12. Consolidated EBITDA (R$000, unless otherwise specified)

	9M14	9M13	Y/Y	3Q14	3Q13	Y/Y	2Q14	Q/Q
Net Income (Loss)	**(17,161)**	**1,040**	**-**	**(29,142)**	**(22,297)**	**31%**	**(44,354)**	**-34%**
(+) Net financial interests	45,669	28,521	60%	18,982	12,770	49%	12,375	53%
(+) Income tax / Social Cont.	(9,181)	1,822	-	(14,581)	(10,982)	33%	(22,732)	-36%
(+) Depr. and amortization	32,380	34,366	-6%	10,745	11,469	-6%	10,625	1%
(+) Provision for Bonus[1]	12,144	2,260	437%	(634)	521	-	7,116	-
(+) Equity Income	(83)	(10)	>500%	37	(42)	-	(82)	-
(+) Minority shareholders	(4)	3	-	(3)	0	-	(3)	0%
(+) Non-recurring expenses	9,039	10,000	-10%	94	10,000	-99%	5,427	-98%
Adjusted EBITDA	**72,803**	**78,002**	**-7%**	**(14,502)**	**1,439**	**-**	**(31,628)**	**-54%**
Adjusted EBITDA margin	**4.7%**	**5.5%**	**-0.8p.p.**	**-3.2%**	**0.3%**	**-3.5p.p.**	**-7.8%**	**464%**
Net revenue	1,535,850	1,407,50	9.1%	458,517	425,210	8%	406,946	13%
EBITDA	**51,620**	**65,742**	**-21.5%**	**(13,962)**	**(9,082)**	**53.7%**	**(44,171)**	**-68%**
EBITDA Margin	**3.4%**	**4.7%**	**-1.3p.p.**	**-3.0%**	**-2.1%**	**-0.9p.p.**	**-10.9%**	**7.8p.p.**

Note 1. Non-cash expenses. The Company recognizes a liability and an expense of profit sharing and bonus payments, based on qualitative and quantitative targets set by the management and recorded monthly from 4Q13 in the employee benefits accounts in the income for the year. The payment of such benefits is due in April following the results, as per corporate and individuals' achievement of targets.

NET INTEREST REVENUE (EXPENSE) - Net financial interests was an expense of R$19 million in 3Q14, compared to an expense of R$13 million in 3Q13, reflecting the increase in the average debt balance.

NET INCOME FOR THE PERIOD - Consolidated net loss in 3Q14 was R$29 million, a year-over-year difference of 31%. Net margin was negative 6.4% in 3Q14, versus negative 5.2% in the 3Q13. Consolidated net loss in 9M14 was R$17 million, versus positive R$1 million in the same period last year.

INVESTMENTS (CAPEX) - Investments made by the Saraiva Group totaled R$18 million in 3Q14 and R$51 million in 9M14, focused on: (i) information technology and logistics; (ii) new stores / new formats; and (iii) the development of new models for the sale of publishing works in new media. In the same periods of 2013, the figures were R$14 million and R$75 million, respectively.

LIQUIDITY - On September 30, 2014, the Company had approximately R$160 million in cash and cash equivalents, versus a balance of R$12 million in 2Q14. Gross debt at September 30 was R$723 million, an increase of R$305 million compared to the end of 2Q14, due to the release of the R$200 million contract signed with BNDES. Thus, net debt totaled R$567 million at the end of 3Q14 and the net debt / adjusted EBITDA ratio ended the period at 4.0x times, representing an increase of 1.4x compared to 2Q14.

Table 13. Evolution of the main debt indicators monitored by the Company (R$000)

Consolidated	3Q14	3Q13	A/A	2Q14	Q/Q
Cash and cash equivalents	**156,930**	**13,340**	**>500%**	**12,142**	**>500%**
Total debt	**723,402**	**424,466**	**70.4%**	**418,687**	**73%**
Short term debt	489,326	281,604	73.8%	339,733	44%
Long term debt	234,076	142,862	63.8%	78,954	196%
Net debt	**566,472**	**411,126**	**37.8%**	**406,545**	**39%**
Adjusted net debt[1]	569,013	477,419	19.2%	526,122	8%
Shareholders' equity	**458,623**	**509,516**	**-10.0%**	**488,956**	**-6%**
Net debt/Equity	124%	81%	42.9p.p.	83%	40.4p.p.

Note 1: includes receivables prepayments and acquisition obligations.

Table 14. Sources used for financing working capital and investments

Source of Funding	Profile	Classification	3Q14	3Q13	Y/Y	2Q14	Q/Q
Working capital	ST & LT	Passive	447,245	285,053	58%	327,520	37%
Discounting receivables			2,541	54,388	-95%	113,792	-98%
BNDES	ST & LT	Passive	276,156	139,412	98%	91,166	203%
Total			**725,943**	**478,853**	**52%**	**532,480**	**37%**

It is worth mentioning that the balance was influenced by investments, the share buyback program and dividend payments, and also by EBITDA and working capital in the period. The share buyback program was announced in February 2014. The Company is authorized to purchase up to 8.35% of its outstanding shares on the market for a period of 365 days. Until September 30, 2014, 75% of the authorized shares were repurchased within the program, representing 1,171,300 preferred shares and 400 common shares.

ADJUSTED NET DEBT – Adjusted net debt, which includes receivables prepayments, totaled R$569 million at the end of 3Q14, an increase of R$43 million compared to 2Q14. Thus, the ratio of adjusted net debt to adjusted EBITDA (excluding non-recurring from 2013), used to measure the Company's cash needs, was 4.0x in September 30, 2014 versus 3.2x in 2Q14.

Table 15. Evolution of main debt indicators monitored by the Company

Consolidated	3Q14	3Q13	Y/Y	2Q14	Q/Q
Net Debt[1] / Adjusted EBITDA[2]	3.9	2.6	49%	2.5	58%
Adjusted Net Debt[1] / EBITDA	7.0	3.3	111%	6.1	15%
Adjusted Net Debt[1] / Adjusted EBITDA[2]	**4.0**	**3.1**	**29%**	**3.2**	24%

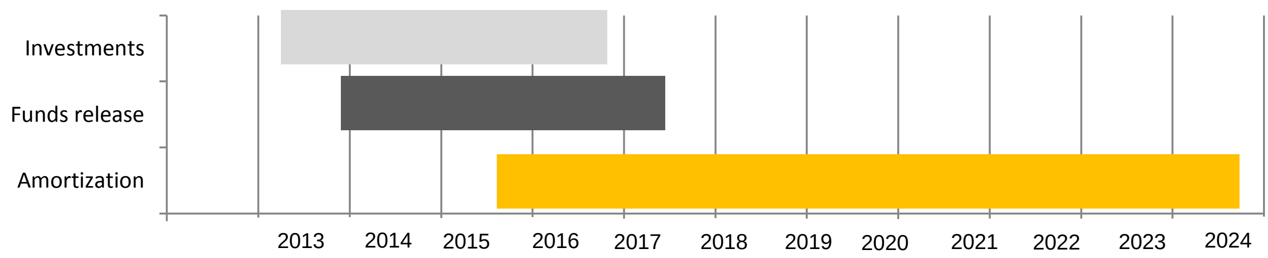
Note 1: includes receivables prepayments and acquisition obligations. 2. Adjusted EBITDA excluding non-recurring.

In August, the Company signed a new financing round of R$629 million with BNDES. The release of funding occurs in tranches, and up to the end of 3Q14, R$200 million had been released to the Company.

The new funding will result in an improvement in the management of financial liabilities by reducing the cost and extending the average maturity of the Company's debt, while smoothing the maturity profile.

As shown in the graph below, the amortization period will be of up to 10 years (2014 to 2024), including the grace period of 24 to 36 months on the principal amount, representing an average settlement period (duration) of 59 months. As an example of the benefits captured in the debt profile related to this first installment, the average term of the current portfolio, which was 13 months in September 2013, ended September at 23 months.

Chart 3. Investment Timeline, Release of Funds and Amortization of BNDES New Credit Line



The contract is 67% indexed to the TJLP (Long-Term Interest Rate) and the remaining to the UM Selic rate, with an effective rate of 8.11% p.a. (without considering the bank guarantee cost) considering the TJLP at 5% p.a. and the Selic rate at 11% p.a.

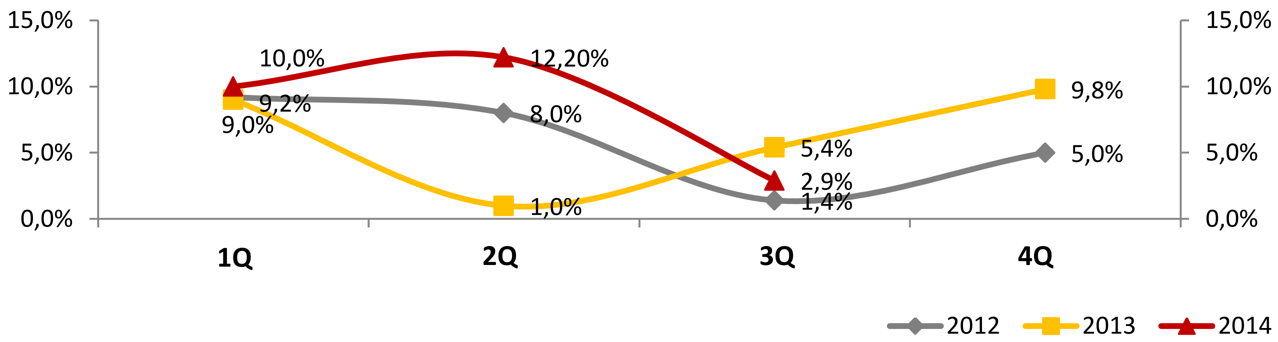
RETAIL BUSINESS SEGMENT RESULTS

REVENUE – Net revenue for the 9M14 increased 9% to R$1.3 billion. Saraiva physical store sales increased 13% to R$893 million, with comparable store sales revenue increasing by 8.4% for the period. Importantly, this expansion was achieved despite a deterioration in private consumption growth in Brazil during the period, underscoring the segment's resilience.

In 3Q14, revenues from comparable store sales increased 2.9% q-o-q. The slower rate of growth observed in 2Q14 and 3Q13 relates to a temporary and specific store supply problem that has already been resolved. In October, the pace of sales growth showed signs of recovery.

Saraiva had a strong participation in this year's 23th Biennial Book Fair that was held in São Paulo, registering sales growth of 57% y-o-y.

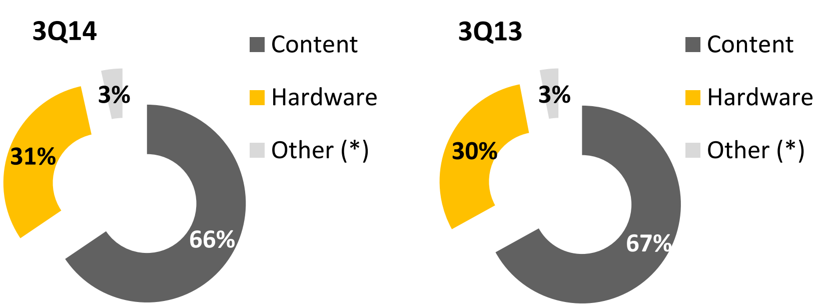
Chart 4. Sales Performance – Nominal Growth of Same Store Sales – by Quarter



The Company expects ongoing strong topline growth in the back-to-school period, Black Friday and during the Christmas shopping season. At the same time, it is positioning itself to capture an increased share of the fast growing e-commerce market in Brazil with the expansion of product offerings via marketplace.

Saraiva.com.br website sales totaled R$413 million in 9M14, remaining stable year-over-year. In 2014, the Company deliberately chose to stop selling some consumer electronics (TVs) because those sales generated negative economic value in current business conditions. In 3Q14, e-commerce sales, excluding consumer electronics, went up by 8.4% compared to the previous year.

Chart 6. Gross Income Retail by segment (R$ million)



GROSS PROFIT – Retail gross profit reached R$124 million in 3Q14, 1% higher than 3Q13. Gross margin decreased by 1.6 percentage point, to 30.9% in 3Q14 from 32.4% in 3Q13, mainly due to promotional activities.

OPERATING EXPENSES – Operating expenses in the Retail business, which mainly consist of the commercial department, marketing, advertising, freight, packaging and rent expenses, increased by 23% to R$132 million, versus R$107 million in 3Q13. These results are due to (i) an increase in personnel expenses – new corporate structures were created and reinforced aimed at giving further support to and increasing the efficiency of operations – and (ii) expenses related to investments in new stores, and (iii) expenses related to the restructuring process.

General and administrative expenses totaled R$33 million in 3Q14, or 8.1% of net sales, a 41% year-over-year increase. Commercial expenses, in turn, totaled R$100 million in 3Q14 versus R$84 million in 3Q13. The ratio of selling expenses to net sales in Retail increased by 2.7 percentage points to 24.9% in 3Q14 compared to 22.2% in 3Q13. The new budget devised with the support of Gradus Consultoria is expected to result in a streamlining of expenses.

EBITDA - Retail EBITDA was negative R$7 million in 3Q14, versus positive R$16 million in 3Q13. The result was driven by a decline in the gross margin as a result of higher expenses. Adjusted EBITDA was negative R$6.8 million in 3Q14, compared to R$16 million in 3Q13.

Table 16. EBITDA Retail Business (R$000, unless otherwise specified)

	9M14	9M13	Y/Y	3Q14	3Q13	Y/Y	2Q14	Q/Q
Net Income (Loss)	**(23,361)**	**13,718**	**-**	**(20,468)**	**(1,777)**	**>500**	**(16,530)**	**24%**
(+) Net financial interests	36,397	21,625	68%	14,296	9,373	53%	10,447	37%
(+) Income tax / Social	(10,324)	7,622	-	(9,611)	(531)	>500	(8,159)	18%
(+) Depreciation and amortization	25,235	27,945	-10%	8,458	8,984	-6%	8,229	3%
(+) Provision for Bonus[1]	6,659	-	-	-	-	-	3,931	-
(+) Equity Income	-	-	-	-	-	-	-	-
(+) Minority shareholders	-	-	-	-	-	-	-	-
(+) Non-recurring expenses	4,951	-	-	461	-	-	1,444	-68%
Adjusted EBITDA	**39,557**	**70,910**	**-44%**	**(6,863)**	**16,049**	**-**	**(638)**	**>500**
Adjusted EBITDA margin	**3.0%**	**5.9%**	**-2.9p.p.**	**-1.7%**	**4.2%**	**-**	**-0.2%**	**-**
Net revenue	1,306,202	1,200,6	9%	402,985	380,73	6%	387,767	4%
EBITDA	**27,947**	**70,910**	**-61%**	**(7,325)**	**16,049**	**-**	**(6,013)**	**22%**
EBITDA Margin	**2.1%**	**5.9%**	-3.8p.p.	**-1.8%**	**4.2%**	-	**-1.6%**	-

Note 1. Non-cash expenses. The Company recognizes a liability and an expense of profit sharing and bonus payments, based on qualitative and quantitative targets set by the management and recorded monthly from 4Q13 in the employee benefits accounts in the income for the year. The payment of such benefits is due in April following the results, as per corporate and individuals' achievement of targets.

NET INCOME (LOSS) FOR THE PERIOD – Due to the aforementioned reasons, retail net loss was R$23 million in 3Q14.

WORKING CAPITAL - The working capital/net revenue ratio increased to 21.6% in 3Q14 from 18.2% in 3Q13. The Retail operating cycle reached 90 days in 3Q14, compared to 73 days in 3Q13. Excluding prepayments conducted in 4Q13, the Retail operation cycle reached 84 days. Accounts receivable remained stable at 55 days in 3Q14. The average inventory coverage period increased 10 days, from 88 in 3Q13 to 98 days in 3Q14. The payment period to suppliers decreased 6 days, from 69 days in 3Q13, to 63 days in 3Q14. Excluding prepayments held in 4Q13, the payment period would have remained stable at 69 days.

HIGHLIGHTS RETAIL – In the third quarter, Saraiva opened 1 new store: a Mega Store in Shopping Vila Velha, Espírito Santo state. Saraiva currently has a network of 115 stores in 17 states and the Federal District, three of which are in airports.

Table 17. New Stores opened in 3Q14

Date	Format	Location	City	State
April/2014	Megastore	Shopping Iguatemi Esplanada	Sorocaba	SP
April/2014	Airport	Aeroporto Eduardo Gomes	Manaus	AM
June/2014	Airport	Aeroporto Afonso Pena	Curitiba	PR
August/2014	Megastore	Shopping Vila Velha	Vila Velha	ES

In December 2013, Saraiva signed an exclusivity agreement to open 5 new stores in Viracopos International Airport, located in Campinas, São Paulo. The stores will be located in the new terminal area of the International Airport and are expected to open in December, 2014. This expansion represents a strong opportunity for the Company to establish a new niche in a sector with high return potential.

Table 18. New Stores Planned for 2014

Date	Format	Location	City	State
November/2014	Megastore	Shopping Passeio das Águas	Goiânia	GO
December/2014	Airport	Aeroporto Internacional de Viracopos	Campinas	SP

E-COMMERCE - Over the past 10 months, Saraiva has developed its new e-commerce platform. Now fully redesigned, the new website captures Saraiva's in-store experience in a convenient, digital platform, offering tools that enable a more interactive, dynamic and engaging browsing experience for the approximately 15 million visitors to the site each month. The new platform is expected to generate more conversions and a perceived higher value on the Company's e-commerce products. Developed on the basis of Magento, the new e-commerce platform will have full management system and brings together best practices in e-commerce.

Lev - In early August, Saraiva announced the launch of LEV, the Company's first portable digital e-reader. The e-reader comes with a platform of digital books available to research and purchase. LEV is the only portable digital e-reader in Brazil that comes with Saraiva's content library pre-installed, providing access to the largest digital title collection available in Portuguese in the country. The digital catalog contains over 450,000 foreign language titles (+9.2% vs 3Q13) and 34,000 Portuguese titles (+57% vs 3Q13). We reiterate the continued focus on the development of this segment in order to provide a digital experience that exceeds consumers' expectations.

MARKETPLACE - The Saraiva Marketplace model was launched in 2011, expanding the product offerings of categories wherein Saraiva does not operate with its clients. Today, the portfolio includes Saraiva Assinaturas, Saraiva Cosméticos, Saraiva Cursos, Saraiva Flores, Saraiva Ingressos, Saraiva Óculos, Saraiva Perfumes, Saraiva Pet and Saraiva Música, which sells musical instruments.

PUBLIQUE-SE! - *Publique-se!* (Publish-it!) completed its first year in this quarter and has published 2,000 books. The advantage of this tool is to market digital books on Brazil's largest online book retailer. The e-commerce platform has over 15 million visitors per month, who have access to the entire collection of *Publique-se!*'s products.

SARAIVA PLUS - Another compelling initiative is the Saraiva Plus Program customer loyalty card, which is an important tool for building relationships with customers in our physical stores and on Saraiva.com. The analysis of the information generated by customer use enables us to identify the buying habits and preferences of each program member, improve the customer's shopping experience, anticipate customers' needs in advance, and as a result, leverage our sales. The Saraiva Plus loyalty program had 10 million members at the end of 3Q14.

PUBLISHING BUSINESS SEGMENT RESULTS

The Publishing business's revenues are highly seasonal, with a significant concentration of sales occurring in the first quarter due to the back-to-school period in the private market, and the fourth quarter, as a result of the purchase of textbooks under the PNLD cycle in the public sector.

REVENUES – Net revenue in the Publishing business, including Editora Érica results, totaled R$69 million in 3Q14, 14% above 3Q13. This is the result of the successful development and release of the catalog for the private market. Growth in sales for the Publishing business reflected an increase of 21% in sales of educational systems, textbooks, technical and law books, which represented 87% of sales in 3Q14 versus 81% 3Q13. In 9M14, sales to the private sector increased by 12%, reaching R$268 million versus R$241 million in 9M13.

In September 2014, Saraiva signed a contract for the Federal Government's purchases under the National Textbooks Program (PNLD) for the 2014 academic year, in the amount of R$154.0 million. Revenue from this contract should be received during the 2014 fiscal year.

A third quarter highlight was a resumption in growth at the Learning Systems unit. In 9M14, the net revenue of the Learning Systems unit totaled R$38 million, an increase of 25% over the same period last year, representing 14% of sales recorded in the period versus 12% in 9M13. We also highlight the unit's strong prospects following Saraiva's entrance in the technical education segment, through the acquisition of Editora Érica.

GROSS PROFIT - Gross profit of the Publishing business reached R$49 million in 3Q14, 13% more than 3Q13. Gross margin remained stable at 70.2% in 3Q14 from 70.4% in 3Q13.

OPERATING EXPENSES - Operating expenses in the Publishing business decreased 16% compared to the same period last year. This result is primarily due to corrective measures related to the restructuring process started in 2013. General and administrative expenses amounted to R$20 million in 3Q14, 14% lower than 3Q13. Selling expenses were R$33 million in 3Q14, 17% lower when compared to the R$40 million reported in 3Q13. In the nine-month period, selling expenses decreased 6%, despite a 7% increase in net revenues in the period. G&A expenses reached R$59 million (21.3% of revenues) in 9M14 compared to R$61 million (24.6% of revenues) in 9M13, down by 4%.

EBITDA – EBITDA for the Publishing business was negative R$7 million in 3Q14 vs R$24 million in 3Q13. Adjusted EBITDA reached negative R$8 million in 3Q14, compared to negative R$13 million in 3Q13. In the nine-month period, EBITDA totaled R$22.4 million, vs negative R$4.8 million in 9M13, while adjusted reached R$32 million vs R$7.5 million in 9M13. The adjusted EBITDA margin of the Publishing business increased by 8.0 p.p., from 3.0% in 9M13 to 11.0% in 9M14.This result reflects the abovementioned adjustments.

Table 19. EBITDA Publishing Business (R$000, unless otherwise specified)

	9M14	9M13	Y/Y	3Q14	3Q13	Y/Y	2Q14	Q/Q
Net Income (Loss)								
(+) Net financial interests			34%					
(+) Income tax / Social Contribution								
(+) Depreciation and amortization								
(+) Provision for Bonus[1]								
(+) Equity Income								
(+) Minority shareholders								
(+) Non-recurring expenses								
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Adjusted EBITDA								
Adjusted EBITDA margin						**14%**		
Net revenue								
EBITDA								
EBITDA Margin	**(17,161)**				**(22,297)**			

Note 1. Non-cash expenses. The Company recognizes a liability and an expense of profit sharing and bonus payments, based on qualitative and quantitative targets set by the management and recorded monthly from 4Q13 in the employee benefits accounts in the income for the year. The payment of such benefits is due in April following the results, as per corporate and individuals' achievement of targets.

NET INCOME FOR THE PERIOD – Adjusted net profit of the Publishing business before equity income reached R$5 million in 3Q14.

PNLD – Saraiva's sales of physical books under the 2015 PNLD will total R$ 154.0 million. This amount includes textbooks and content in MEC Daisy format. The sale of digital content will be held on a date to be determined by the FNDE.

Despite the positive result on the preliminary approval by the Department of Basic Education, directed by the Ministry of Education (MEC), the results of the PNLD market in 2015 depict a more fragmented market. The market share of the four leading publishers of educational content fell to 67% under PNLD 2012 from 86% in the PNLD 2012. Furthermore, it is worth mentioning that the comparison with reference program PNLD 2012 was impacted, since this year there was no approval of the English Collection submitted by Saraiva.

As a result, Saraiva's market share was 15.0% in the PNLD 2015 versus 24.6% in the reference program (PNLD 2012). Considering only the subjects that Saraiva was able to approve by MEC (Biology, Mathematics, Portuguese, History, Geography, Physics, Sociology and Philosophy), market share was 21.0%.

SSA - Among the various initiatives directed at finding new ways of producing and marketing content, we highlight the SSA (Saraiva Learning Solution - Saraiva Solução de Aprendizagem), already used by 13 HEIs (Higher Education Institutions) against 5 in 3Q13. This solution is the result of a partnership with Hoper Education and combines an effective methodology focused on learning, using the outstanding content from the Publishing business, through a technological solution called Virtual Learning Environment - Ambiente Virtual de Aprendizagem (VLE). Launched in late 2012, the solution is available for courses in administration, accounting, law and technology. The methodology received a positive response from educational institutions, which indicates strong future prospects for SSA.

DISTANCE LEARNING (EaD) CUSTOMIZED SOLUTION – In seeking to offer a complete solution for distance learning, we gathered: (1) content of recognized quality; (2) flexibility – the possibility of hiring modules that compose 20% of classroom courses[1]; and (3) leading educational technology. During 3Q14, Saraiva entered into the second contract with a Higher Education Institution to provide content in the form of distance learning (EaD – Ensino a Distancia), in print and digital format, including a customized learning management platform. New partnerships with HEIs related to the Distance Learning market may be announced shortly.

Note 1 . By the Brazilian legislation, 20% of the total course load can be done by distance learning.

VIVAZ – Saraiva announced the expansion of its portfolio of digital learning solutions with the launch of an innovative digital game platform for elementary school (1st to 5th grades), called Vivaz – the Game of Knowledge. Developed in partnership with Tamboro, a startup specialized in educational games, Vivaz is a ‘gamified’ platform that applies adaptive learning concepts to the universe of games, adjusting to each student’s individual learning needs, guiding their trajectory within the game according to their performance, and reinforcing points for improvement. The program allows educators to track each student’s performance by means of real-time reports. It is also possible to monitor the performance of groups/classes, schools and even school networks in detail. However, parents may also supervise the development of their children by using their password without interfering in the development of the activities, which are the responsibility of teachers.

TECHNICAL EDUCATION - We would also like to emphasize Saraiva’s entry into the technical education sector - a segment with broad prospects for growth - through the acquisition of Editora Érica in 3Q13. This move is in line with the diversification strategy and Saraiva’s increasing importance in the Brazilian education market. In 3Q14, the Company has evolved its business model with the launch of SET (Saraiva Technical Education System). There are now approximately 53,000 students PRONATEC using the SET.

ADAPTIVE LEARNING - Saraiva announced the creation of an adaptive learning platform, currently available for Kroton´s and Devry’s students. Through the platform, students get prepared for the OAB exam (Exame da Ordem dos Advogados do Brasil – Brazilian Bar Association). This strategy is part of the Group’s positioning to provide content, technology and services in an integrated format to educational institutions.

VIRTUAL LIBRARY - The Minha Biblioteca (My Library) initiative, formed through a partnership with three other Brazilian publishers with a scientific, technical and professional (CTP) focus, consists of a digital content platform aimed at the university market. The project showed significant results, with a total of 77 educational institutions already served, an increase of 305% over the previous year.

CONFERENCE CALL DETAILS

Our 3Q14 Conference Call, conducted in Portuguese with simultaneous translation to English, will be held on Friday, November 14, 2014, 10:30AM (local time) / 7:30AM (Eastern Time).

The conference call will be webcast live through streaming audio.

For details please access www.saraivair.com

CONFERENCE CALL DETAILS (PORTUGUESE / ENGLISH)
Date: August 15, 2014
Time: 10:30 AM (local time) / 7:30 AM (ET)

Dial-in numbers:
Brazil: +55 11 2188 0155
EUA: +1 646 843 6054
Other regions: 1 866 890 2584
Access code: Saraiva

The conference call will be recorded and available for replay for 7 days. In order to get obtain access to the replay, please dial the following numbers:
Portuguese: +55 11 2188 0155 Code: Saraiva Português
English: +55 11 2188 0155 Code: Saraiva English

To access the live webcast, log on at:

WEBCAST PLATAFORM

Portuguese: http://webcast.mzvaluemonitor.com/Cover.aspx?PlatformId=1964

English: http://webcast.mzvaluemonitor.com/Cover.aspx?PlatformId=1964

Webcast: www.saraivair.com

ABOUT SARAIVA

Saraiva, a company focused on education, culture and entertainment, is present in all phases of its clients' lives. The Company operates its retail business through a multichannel concept with a wide range of products and services, and conducts its online business through Saraiva.com.br, which is fully integrated with the physical store chain. The Company also publishes and distributes content, primarily focused on education, in print and digital formats and through Learning Systems, covering from pre-school to university, and also publishes technical and professional content.

CONSOLIDATED INCOME STATEMENTS

	9M14	9M13	Y/Y	3Q14	3Q13	Y/Y	2Q14	Q/Q
Gross Revenues	1,615,412	1,482,222	9.0%	482,346	453,216	6%	430,933	12%
Deductions	79,562	74,719	6.5%	23,829	28,006	-15%	23,987	-1%
Net Revenues	1,535,850	1,407,503	9.1%	458,517	425,210	8%	406,946	13%
Cost of Goods Sold	899,654	812,715	10.7%	285,474	260,511	10%	261,772	9%
Gross Profit	636,196	594,788	7.0%	173,043	164,699	5%	145,174	19%
Selling Expenses	421,307	392,346	7.4%	133,838	124,120	8%	134,714	-1%
G&A Expenses	161,412	132,295	22.0%	54,208	48,002	13%	56,642	-4%
Other Revenue/Expenses	1,857	4,405	-57.8%	(1,041)	1,659	-163%	(2,011)	-48%
Equity Income	(83)	(10)	730.0%	37	(42)	-188%	(82)	-
Net Financial Interests	584,493	529,036	10.5%	187,042	173,739	8%	189,263	-1%
Depreciation and Amortization	32,380	34,366	-5.8%	10,745	11,469	-6%	10,625	1%
Results before Net Financial Interests and Taxes	19,323	31,386	-38.4%	(24,744)	(20,509)	21%	(54,714)	-55%
	45,669	28,521	60.1%	18,982	12,770	49%	12,375	53%
	(7,625)	(3,499)	117.9%	(3,703)	(716)	417%	(2,172)	70%
	53,294	32,020	66.4%	22,685	13,486	68%	14,547	56%
	(26,346)	2,865	-	(43,726)	(33,279)	31%	(67,089)	-
	(9,181)	1,822	-	(14,581)	(10,982)	33%	(22,732)	-
	(17,165)	1,043	-	(29,145)	(22,297)	31%	(44,357)	-
	(17,161)	1,040	-	(29,142)	(22,297)	31%	(44,354)	-
	(4)	3	-233%	(3)	0	-	(3)	0%
EBITDA[1]	51,620	65,742	-21%	(13,962)	(9,082)	54%	(44,171)	-

Note 1: EBITDA represents net income before financial results, social contribution, income tax, depreciation and amortization. It is not a measure used in accordance with accounting practices adopted in Brazil, or the generally accepted accounting principles of other countries; not representing cash flows for the periods presented, and should not be considered an alternative to net income as an indicator of the operating performance of the Company, or an alternative to cash flows as an indicator of liquidity. EBITDA does not have a standardized formula, and this definition of EBITDA may not be comparable with EBITDA as defined by other companies.

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CONSOLIDATED BALANCE SHEETS

	3Q14	3Q13	Y/Y	2Q14	Q/Q
Total Assets	**1,580,578**	**1,313,319**	20%	**1,258,728**	**26%**
CURRENT ASSETS	**1,187,111**	**908,623**	**31%**	**879,149**	**35%**
Cash and Cash Equivalents	156,930	13,340	1076%	12,142	>500%
Trade Accounts Receivable	308,695	251,420	23%	213,696	44%
Inventories	503,863	484,704	4%	492,753	2%
Recoverable Taxes	154,243	105,143	47%	142,002	9%
Other Credits and Receivables	33,713	20,192	67%	13,444	151%
Prepaid expenses	29,667	33,824	-12%	5,112	480%
NON-CURRENT ASSETS	**393,467**	**404,696**	**-3%**	**379,579**	**4%**
Long Term Assets	**84,625**	**82,882**	**2%**	**77,507**	**9%**
Deferred income tax and social contribution	15,866	-	-	9,344	70%
Judicial deposits	-	-	-	30,015	-100%
Recoverable taxes	-	-	-	32,541	-100%
Other credits	68,759	82,882	-17%	5,607	>500%
Investments	**797**	**720**	**11%**	**834**	**-4%**
In controlled company	255	178	43%	-	-
In jointly controlled company	0	0	-	269	-100%
Other	543	543	0%	565	-4%
Property, Plant & Equipment	**118,018**	**125,965**	**-6%**	**116,678**	**1%**
Intangibles	**190,027**	**195,129**	**-3%**	**184,560**	**3%**
Total Liabilities	**1,580,578**	**1,313,319**	20%	**1,258,728**	**26%**
CURRENT LIABILITIES	**839,544**	**621,015**	**35%**	**645,914**	**30%**
Suppliers	272,143	261,112	4%	228,093	19%
Loans and Financing	489,326	281,604	74%	339,733	44%
Related party loans	-	-	-	-	-
Social and labor liabilities	-	-	-	43,265	-100%
Taxes and contributions payable	11,273	13,788	-18%	3,141	259%
Income tax and social contribution	195	0	-	134	46%
Copyrights payable	-	-	-	4,924	-100%
Management profit sharing	-	2,260	-100%	1,331	-100%
Dividends and Interest on Own Equity	58	63	-8%	58	0%
Deferred revenue – loyalty program	-	-	-	4,434	-100%
Operational Leasing – store leasing	-	-	-	8,279	-100%
Other liabilities	66,549	62,188	7%	12,522	431%
NON-CURRENT LIABILITIES	**282,411**	**182,788**	**55%**	**123,858**	**128%**
Loans and Financings	234,076	142,862	64%	78,954	196%
Deferred income tax and social contribution	22,194	22,975	-3%	21,167	5%
Provision for tax, civil and labor risks	17,256	16,101	7%	18,051	-4%
Other liabilities	8,885	850	945%	5,686	56%
SHAREHOLDER’S EQUITY	**458,623**	**509,516**	**-10%**	**488,956**	**-6%**
Social capital	279,901	279,901	0%	279,901	0%

Treasury shares	(25,583)	(4,923)	420%	(24,166)	6%
Profit reserve	210,136	222,159	-5%	209,907	0%
Asset valuation adjustments	11,279	11,279	0%	11,279	0%
Proposed additional dividends	-	-	-	-	-
retained earnings	(17,161)	1,040	-1750%	11,981	-
Equity attributable to controlling shareholders	-	-	-	-	-
Minority Shareholders	51	60	-15%	54	-6%

INCOME STATEMENT – PUBLISHING

	9M14	9M13	Y/Y	3Q14	3Q13	Y/Y	2Q14	Q/Q
Gross Revenues	277,307	249,899	11.0%	69,293	60,967	13.7%	28,176	146%
Deductions	(357)	(314)	13.7%	(91)	(15)	506.7%	43	-
Net Revenues	276,950	249,585	11.0%	69,202	60,952	13.5%	28,133	146%
Cost of Goods Sold	65,989	57,954	13.9%	20,589	18,017	14.3%	7,312	182%
Gross Profit	210,961	191,631	10.1%	48,613	42,935	13.2%	20,821	133%
Selling Expenses	120,680	126,431	-4.5%	33,813	39,785	-15.0%	36,709	-8%
G&A Expenses	63,527	63,282	0.4%	21,568	24,922	-13.5%	21,092	2%
Other Revenue/Expenses	4,365	6,693	-34.8%	182	1,735	-89.5%	1,919	-91%
Equity Income	22,623	(13,302)	-270.1%	20,398	3,389	501.9%	15,011	36%
Operating Income/Expenses	211,195	183,104	15.3%	75,961	69,831	8.8%	74,731	2%
Depreciation and Amortization	6,185	5,995	3.2%	1,968	2,059	-4.4%	2,075	-5%
Results before Net Financial Interests and Taxes	(6,419)	2,532	-353.5%	(29,316)	(28,955)	1.2%	(55,985)	-48%
Net Financial Interests	9,273	6,896	34.5%	4,687	3,397	38.0%	1,928	143%
Financial Revenues	(2,875)	(3,009)	-4.5%	(657)	(508)	29.3%	(1,151)	-43%
Financial Expenses	12,148	9,905	22.6%	5,344	3,905	36.9%	3,079	74%
Results before Taxes	(15,692)	(4,364)	259.6%	(34,003)	(32,352)	5.1%	(57,913)	-41%
Income Tax and Social Contribution	1,469	(5,404)	-127.2%	(4,861)	(10,055)	-51.7%	(14,464)	-66%
Net income before minority shareholders	(17,161)	1,040	-1750%	(29,142)	(22,297)	30.7%	(43,449)	-33%
Minority shareholders	0	0	0.0%	0	0	0.0%	0	-
Net Income (Loss)	(17,161)	1,040	-1750%	(29,142)	(22,297)	30.7%	(43,449)	-33%
EBITDA[1]	22,389	(4,775)	-569%	(6,950)	(23,507)	-70.4%	(38,899)	-82%

Note 1: EBITDA represents net income before financial results, social contribution, income tax, depreciation and amortization. It is not a measure used in accordance with accounting practices adopted in Brazil, or the generally accepted accounting principles of other countries; not representing cash flows for the periods presented, and should not be considered an alternative to net income as an indicator of the operating performance of the Company, or an alternative to cash flows as an indicator of liquidity. EBITDA does not have a standardized formula, and this definition of EBITDA may not be comparable with EBITDA as defined by other companies.

INCOME STATEMENT – RETAIL

	9M14	9M13	Y/Y	3Q14	3Q13	Y/Y	2Q14	Q/Q
Gross Revenues	1,385,407	1,275,057	8.7%	426,723	408,723	4.4%	411,711	3.6%
Deductions	79,205	74,405	6.5%	23,738	27,991	-15.2%	23,944	-0.9%
Net Revenues	1,306,202	1,200,652	8.8%	402,985	380,732	5.8%	387,767	3.9%
Cost of Goods Sold	881,995	796,737	10.7%	278,612	257,277	8.3%	264,155	5.5%
Gross Profit	424,207	403,915	5.0%	124,373	123,455	0.7%	123,612	0.6%
Selling Expenses	300,884	266,300	13.0%	100,282	84,421	18.8%	98,005	2.3%
General and	97,885	69,012	41.8%	32,640	23,077	41.4%	33,540	-2.7%
Other	(2,509)	(2,307)	8.8%	(1,224)	(92)	1230.4%	(1,920)	-36.3%
Equity Income	0	0	-	0	0	-	0	-
Operating	396,260	333,005	19.0%	131,698	107,406	22.6%	129,625	1.6%
Depreciation and	25,235	27,945	-9.7%	8,458	8,984	-5.9%	8,229	2.8%
Operating Income	2,712	42,965	-93.7%	(15,783)	7,065	-323.4%	(14,242)	10.8%
Net Financial Interests	36,397	21,625	68.3%	14,296	9,373	52.5%	10,447	36.8%
Financial Revenues	(5,741)	(1,434)	300.3%	(3,550)	(807)	339.9%	(1,024)	246.7%
Financial Expenses	42,138	23,059	82.7%	17,846	10,180	75.3%	11,471	55.6%
Results before Taxes	(33,685)	21,340	-257.8%	(30,079)	(2,308)	1203.2%	(24,689)	21.8%
Income Tax and Social	10,324	(7,622)	-235.5%	9,611	531	1710.0%	8,159	17.8%
Net Income (Loss)	(23,361)	13,718	-270.3%	(20,468)	(1,777)	1051.8%	(16,530)	23.8%
EBITDA[1]	27,947	70,910	-60.6%	(7,325)	16,049	-145.6%	(6,013)	21.8%

Note 1: EBITDA represents net income before financial results, social contribution, income tax, depreciation and amortization. It is not a measure used in accordance with accounting practices adopted in Brazil, or the generally accepted accounting principles of other countries; not representing cash flows for the periods presented, and should not be considered an alternative to net income as an indicator of the operating performance of the Company, or an alternative to cash flows as an indicator of liquidity. EBITDA does not have a standardized formula, and this definition of EBITDA may not be comparable with EBITDA as defined by other companies.

GLOSSARY

ABRELIVROS - Brazilian Association of School Book Publishers is a non-profit organization that guides, defends and protects the interests of educational book publishers in the country, and their associates, representing the companies among the Federal Government and other bodies.

BNDES - National Bank for Economic and Social Development.

CNE - The National Education Council, which performs the functions and responsibilities of the Federal Government in education-related matters.

EBITDA - In accordance with CVM Instruction 527, the definition of EBITDA is Earnings Before the Net Financial Result, Income Taxes including Social Contribution, Depreciation and Amortization.

Basic Education - Basic education is the first level of schooling within the country and contains three levels: early childhood education (for children up to 5 years old), elementary / middle school (for students from 6 to 14 years old) and high school (for students from 15 to 17 years old).

Higher education - Education in universities, colleges, polytechnic schools, graduate schools and other institutions that offer academic or professional degrees.

Technical Education - Intermediate level between Basic Education and Higher Education, or a substitute for Higher Education. Its goal is to qualify students who complete Primary Education or Secondary Education for the job market.

FNDE - National Fund for the Development of Education - Administrative Unit responsible for running the PNLD.

Hoper - Hoper Education is a group of specialized consulting firms in the public and private education segments in Brazil.

MEC – The Ministry of Education, which is the federal agency responsible for the national policy on Early Childhood Education; Elementary School, Middle School and Professional; Higher Education, of Young People and Adults; Special Education; and Distance Learning.

MecDaisy – MecDaisy is a technological tool that allows for the production of books in an accessible digital format. It allows for the generation of spoken digital books with audio reproduction, recorded or synthesized, with easy navigation of the text; allowing for the synchronized playback of selected passages, going backwards and forwards among paragraphs and searching for sections or chapters.

OED – Digital Educational Objects is audiovisual content produced under the PNLD program, aiming to provide students with experiences that go beyond just reading and writing. The content of the printed book is integrated with digital learning objects; including videos, animations, games and simulators.

PNLD - National Textbooks Program - Program focused on the distribution of textbooks to students in Brazil´s public schools network, in primary and secondary education. The process of evaluating, acquiring and distributing books under the PNLD is performed by the FNDE, with funding from the Federal Budget and collection of the educational allowance. The entire pedagogical evaluation process, selection of the works and preparation of the Textbooks Guide is coordinated by the MEC´s Office of Basic Education.

Pronatec - National Program for Access to Technical Education and Employment (Pronatec), created by the Federal Government in 2011, for the purpose of expanding professional and technological course offerings.

SEB – Secretary of Basic Education

SSA – courseware solution to support education in the areas of Law and Business Administration. This is a methodology developed to support the work of teachers in the classroom and to maximize student learning; covering a wide range of activities that support the curriculum, and able to develop in the students the skills and abilities they require in order to perform better on official tests and assessments, such as the ENADE and OAB.

The Saraiva Group is engaged in the publishing segment, selling books and content through Saraiva S.A. Livreiros Editores (“Publishing”), Editora Érica Ltda. (“Érica”) and Minha Biblioteca Ltda. (“My Library”), and in the retail segment, selling products related to culture, leisure and information, through Saraiva and Siciliano S.A. (“Retail”).